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July 6, 2004

Mary Cottrell, Secretary
Department of Telecommunications and Energy
One South Station
Boston, Mass. 02110

RE: KeySpan Energy Delivery New England proposed Cost of Gas
Adjustment Clause (noticed June 24, 2004), DTE 04-62 – Petition to
Intervene and Initial Comment of Low-Income Parties

Dear Secretary Cottrell:

This letter is filed on behalf of the low-income weatherization and fuel assistance network (described in G.L. c. 25, sec. 19), the Massachusetts Community Action Program Directors Association Inc. (MASSCAP), and the Massachusetts Energy Directors Association (MEDA), including their member agencies. It requests that the aforementioned parties be granted intervenor status in the above-captioned docket, in which Boston Gas Co., Colonial Gas Co., and Essex Gas Co. dba KeySpan Energy Delivery New England (KeySpan or the Company) proposes a consolidated Cost of Gas Adjustment Clause (to be based on a consolidated resource portfolio), consolidated Local Distribution Adjustment Clause, consolidated Distribution Terms and Conditions, and standardized rate tariff formats. The low-income parties' principal purpose is to encourage the Company to manage its purchased gas portfolio in a manner that reduces customer costs and price instability. With that in view, the Low-Income Parties also file this letter in lieu of their Initial Comment.

Intervention

G.L. c. 25, sec. 19 (St. 1997, c. 164, sec. 37) provides that "The low-income residential demand-side management and education programs shall be implemented through the low-income weatherization and fuel assistance program network and shall be coordinated with all gas distribution companies in the commonwealth with the objective of standardizing implementation." MEDA is the organization of member agencies of the low-income weatherization and fuel assistance program network, including agencies that serve KeySpan customers, to provide the services required for

implementing the coordination requirements of the statute. MASSCAP is the organization of community action programs that make up most of the low-income weatherization and fuel assistance program network. Members of both MASSCAP and MEDA implement the Company's low-income DSM programs, including education; they also process applications for LIHEAP and other assistance for Company customers.

Members of MASSCAP and MEDA counsel customers of the Company about rates and payment options, and arrange rate payment assistance (including LIHEAP and other forms of assistance) for Company customers. Many of the Company's customers, especially the low-income customers served by members of MASSCAP and MEDA, are currently having an especially difficult time paying their bills due to the significant increases in recent years in the price, and the price volatility, of the natural gas commodity delivered by the Company.

Petitioners are thus substantially affected by the level and volatility of the Company's supply price because (a) their clients (or clients of their members) are more likely to require assistance as rates and volatility rise, (b) the efficiency, weatherization, education, counseling and payment assistance services they (or their members) offer are less likely to result in affordable utility bills for their clients as rates and volatility rise, (c) they (or their members) will be increasingly called upon to secure other means of assistance with utility bills as rates and volatility rise, (d) they (or their members) will be increasingly called upon to assist clients who have had utility service terminated for non-payment, and (e) they will be called upon by their members to assist them in helping members' clients as rates and volatility rise. Petitioners also represent the interest of their (or their members') clients in reasonable and stable rates that they can afford to manage and pay; clients are substantially affected by rates that they cannot afford to pay because they are unreasonably high or volatile.

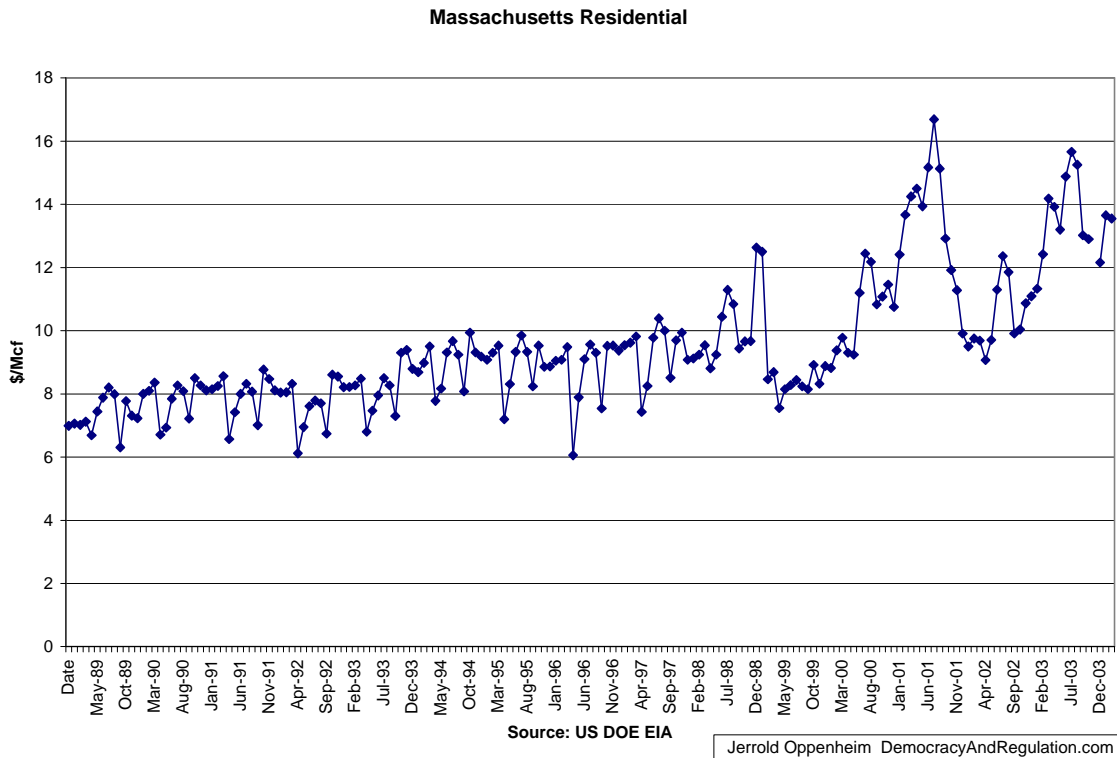
The petitioners have questions about price levels and price stability with respect to the above-captioned filing. In petitioners' view, for example, gas purchasing portfolios should be managed to reduce price volatility as well as to reduce overall costs.

If settlement is not attainable in this docket, petitioners expect to file oral and documentary evidence on the topics described above (particularly the need for reasonable and stable supply prices and means to achieve them), contending that the Company's petition is unreasonable under G.L. c. 164. Relief sought would include a means, alternative to that proposed by the Company, of controlling the volatility of the Company's supply prices.

Initial Comment

A recent analysis by Economic Opportunity Studies shows that the energy burden on poor households has skyrocketed. Over the past seven years, the percent of household income used to pay natural gas bills has grown from 15.4% in 1997 to 27.0% in 2004, a staggering increase of 75%¹ which is not matched by an increase in income.

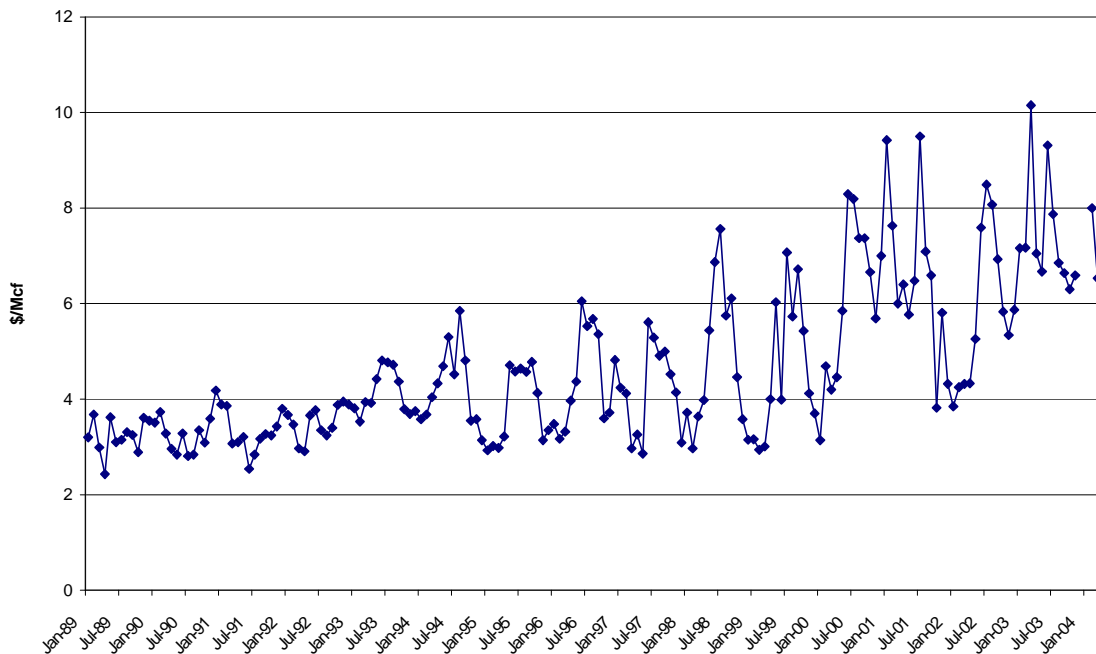
At wholesale, gas prices vary monthly and are now much higher and much more volatile than in the past. The difference is shown in the charts below. Since January 2000, for example, Massachusetts residential gas prices fluctuated between \$8.82 and \$16.69 per mcf (price swing of \$7.87, 1.9x), compared to an earlier range of \$6.06-\$10.39 (\$4.33, 1.7x). City Gate prices varied between \$3.14 and \$10.15 (\$7.01, 3.2x), compared to \$2.43-\$6.05 (\$3.62, 2.5x). In absolute dollars, the pricing swing has almost doubled (1.8x and 1.9x, respectively).²



¹ Meg Power, "Low-Income Consumers' Energy Bills and Energy Savings" at Apdx. 3 (Washington: Economic Opportunity Studies, May 2004).

² US DOE EIA data, <http://tonto.eia.doe.gov/dnav/ng/hist/n3010ma3m.htm>,
<http://tonto.eia.doe.gov/dnav/ng/hist/n3050ma3m.htm>.

Massachusetts City Gate



Source: US DOE EIA

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These increases in price and volatility are very difficult for many residential customers to manage and increasingly impossible for low-income families. This makes commodity procurement practices far more critical to consumers than in the past since, at the least, procurement practices can be planned in a way, such as multi-year laddering of contracts,³ that smoothes price volatility and thus helps enable consumer payment planning.⁴ Boston Gas Co. has adopted a procurement practice of purchasing one-twelfth of its needs each month. This is an important step in the right direction. What remains for KeySpan and the Department is to investigate the value of longer-term purchasing and to make KeySpan's procurement practice uniform across its Massachusetts territories.

³ See Section 16-244c of the Connecticut General Statutes (*Effective July 1, 2003*), Public Act No. 03-13 (2003) (electricity procurement from 2007).

⁴ See, e.g., A. Roschelle *et al.*, Strategies for Procuring Residential and Small Commercial Standard Offer Supply in Maine (Synapse Energy Economics, April 7, 2004), <http://www.synapse-energy.com/Downloads/Synapse-report-me-opa-standard-offer-apr-7-04.pdf>, filed at Maine PSC by Maine Office of Public Advocate (OPA) in Docket 2004-147 (May 28, 2004), together with procurement principles jointly sponsored by OPA and AARP.

Petition to intervene

Wherefore, the low-income weatherization and fuel assistance network, the Massachusetts Community Action Program Directors Association Inc., and the Massachusetts Energy Directors Association, including their member agencies, respectfully request that the Department grant intervenor status to these petitioners.

Respectfully submitted,

The low-income weatherization and fuel assistance network, Massachusetts
Community Action Program Directors Association Inc., Massachusetts
Energy Directors Association,
By

Jerrold Oppenheim

cc by e-mail:

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